

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 2 - 0 0 1

2. STATE:

TENNESSEE

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☒ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☐ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

1905(a)(26) and 1934 SSA; 42 CFR 455

7. FEDERAL BUDGET IMPACT:

a. FFY 2001/2002 \$ 875,400

b. FFY 2002/2003 \$ 3,553,900

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Section 3 - General Provisions, pages 19c and 20c; Attachment 3.1-A page 11; Attachment 3.1-B page 10; Supplement 3 to Attachment 3.1-A pages 1-7.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

10. SUBJECT OF AMENDMENT:

Amount, Duration and Scope of Services; Amount, Duration, and Scope of Medical and Remedial Care and Services Provided to the Categorically Needy - Program of All-Inclusive Care for the Elderly (PACE).

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ OTHER, AS SPECIFIED:

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Mark E. Reynolds

14. TITLE:

Deputy Commissioner

15. DATE SUBMITTED:

January 11, 2002

16. RETURN TO:

Tennessee Department of Finance  
and Administration  
Bureau of TennCare  
729 Church Street  
Nashville, Tennessee 37247-6501

Attn: George Woods

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

January 14, 2002

18. DATE APPROVED:

July 15, 2002

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

Deborah J. Butler for Rhonda R. Cottrell

21. TYPED NAME:

Rhonda R. Cottrell

22. TITLE: Associate Regional Administrator  
Division of Medicaid

23. REMARKS:

State: Tennessee

Citation 3.1(a)(1) Amount, Duration, and Scope of Services: Categorically Needy  
1905(a)(26) (Continued)  
and 1934

X Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

ATTACHMENT 3.1-A identifies the medical and remedial services provided to the categorically needy. (Note: Other programs to be offered to Categorically Needy beneficiaries would specify all limitations on the amount, duration and scope of those services. As PACE provides services to the frail elderly population without such limitation, this is not applicable for this program. In addition, other programs to be offered to Categorically Needy beneficiaries would also list the additional coverage -that is in excess of established service limits- for pregnancy-related services for conditions that may complicate the pregnancy. As PACE is for the frail elderly population, this also is not applicable for this program.)

State: Tennessee

Citation 3.1(a)(2) Amount, Duration, and Scope of Services: Categorically Needy  
1905(a)(26) (Continued)  
and 1934

X Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

ATTACHMENT 3.1-B identifies services provided to each covered group of the medically needy. (Note: Other programs to be offered to Medically Needy beneficiaries would specify all limitations on the amount, duration and scope of those services. As PACE provides services to the frail elderly population without such limitation, this is not applicable for this program. In addition, other programs to be offered to Medically Needy beneficiaries would also list the additional coverage -that is in excess of established service limits- for pregnancy-related services for conditions that may complicate the pregnancy. As PACE is for the frail elderly population, this also is not applicable for this program.)

D1012044

State: Tennessee

Amount, Duration and Scope of Medical and Remedial Care Services Provided To the  
Categorically Needy

26. Program of All-Inclusive Care for the Elderly (PACE) services, as described in  
Supplement 3 to Attachment 3.1-A.

X Election of PACE: By virtue of this submittal, the State elects PACE as an  
optional State Plan service.

       No election of PACE: By virtue of this submittal, the State elects to not add  
PACE as an optional State Plan service.

D1012044

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TN No. 2002-1  
Supersedes  
TN No. NEW

Approval Date JUL 19 2002 Effective Date 7/1/2002

State: Tennessee

Amount, Duration and Scope of Medical and Remedial Care Services Provided To the Medically  
Needy

25. Program of All-Inclusive Care for the Elderly (PACE) services, as described in Supplement 3 to  
Attachment 3.1-A.

X Election of PACE: By virtue of this submittal, the State elects PACE as an optional State Plan  
service.

       No election of PACE: By virtue of this submittal, the State elects to not add PACE as an optional  
State Plan service.

D1012044

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**State: Tennessee

PACE

**I. Eligibility**

The State determines eligibility for PACE enrollees under rules applying to community groups.

A. X The State determines eligibility for PACE enrollees under rules applying to institutional groups as provided for in section 1902(a)(10)(A)(ii)(VI) of the Act (42 CFR 435.217 in regulations). The State has elected to cover under its State plan the eligibility groups specified under these provisions in the statute and regulations. The applicable groups are: (See Attachment)

(If this option is selected, please identify, by statutory and/or regulatory reference, the institutional eligibility group or groups under which the State determines eligibility for PACE enrollees. Please note that these groups must be covered under the State's Medicaid plan.)

B. \_\_\_\_\_ The State determines eligibility for PACE enrollees under rules applying to institutional groups, but chooses not to apply post-eligibility treatment of income rules to those individuals. (If this option is selected, skip to II - Compliance and State Monitoring of the PACE Program.

C. X The State determines eligibility for PACE enrollees under rules applying to institutional groups, and applies post-eligibility treatment of income rules to those individuals as specified below. Note that the post-eligibility treatment of income rules specified below are the same as those that apply to the State's approved HCBS waiver(s).

**Regular Post Eligibility**

1. \_\_\_\_\_ SSI State. The State is using the post-eligibility rules at 42 CFR 435.726. Payment for PACE services is reduced by the amount remaining after deducting the following amounts from the PACE enrollee's income.

(a) Sec. 435.726--States which do not use more restrictive eligibility requirements than SSI.

1. Allowances for the needs of the:

(A) Individual (check one)

1. \_\_\_\_\_ The following standard included under the State plan (check one):

(a) \_\_\_\_\_ SSI

(b) \_\_\_\_\_ Medically Needy

(c) \_\_\_\_\_ The special income level for the institutionalized

(d) \_\_\_\_\_ Percent of the Federal Poverty Level: \_\_\_\_\_ %

(e) \_\_\_\_\_ Other (specify): \_\_\_\_\_

2. \_\_\_\_\_ The following dollar amount: \$ \_\_\_\_\_

Note: If this amount changes, this item will be revised.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

**State:** Tennessee

PACE

3. \_\_\_\_\_ The following formula is used to determine the needs lowance:

Note: If the amount protected for PACE enrollees in item 1 is equal to, or greater than the maximum amount of income a PACE enrollee may have and be eligible under PACE, enter N/A in items 2 and 3.

(B) Spouse only (check one):

1. ☐ SSI Standard
2. ☐ Optional State Supplement Standard
3. ☐ Medically Needy Income Standard
4. ☐ The following dollar amount: \$ \_\_\_\_\_  
Note: If this amount changes, this item will be revised.
5. ☐ The following percentage of the following standard  
that is not greater than the standards above: \_\_\_\_\_ % of \_\_\_\_\_  
standard.
6. ☐ The amount is determined using the following formula:

7. Not applicable (N/A)

(C) Family (check one):

1. \_\_\_\_\_ AFDC need standard
2. \_\_\_\_\_ Medically needy income standard

The amount specified below cannot exceed the higher of the need standard for a family of the same size used to determine eligibility under the State's approved AFDC plan or the medically needy income standard established under 435.811 for a family of the same size.

3. The following dollar amount: \$ \_\_\_\_\_  
Note: If this amount changes, this item will be revised.
4. The following percentage of the following standard that is not greater than the standards above: \_\_\_\_\_% of \_\_\_\_\_ standard.
5. The amount is determined using the following formula:  
\_\_\_\_\_  
\_\_\_\_\_
6. Other \_\_\_\_\_
7. Not applicable (N/A)

(b) Medical and remedial care expenses in 42 CFR 435.726.

### Regular Post Eligibility

TN No. 2002-1  
Supercedes  
TN No. NEW

Approval Date **JUL 19 2002** Effective Date 7/1/2002

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

**State:** Tennessee

PACE

2. NA 209(b) State, a State that is using more restrictive eligibility requirements than SSI. The State is using the post-eligibility rules at 42 CFR 435.735. Payment for PACE services is reduced by the amount remaining after deducting the following amounts from the PACE enrollee's income.

(a) **42 CFR 435.735**--States using more restrictive requirements than SSI.

1.. Allowances for the needs of the:

(A) Individual (check one)

1. \_\_\_\_ The following standard included under the State plan (check one):

(a) SSI

(b)            Medically Needy

(c) \_\_\_\_\_ The special income level for the institutionalized

(d) \_\_\_\_\_ Percent of the Federal Poverty Level: \_\_\_\_\_ %

(e) \_\_\_\_\_ Other (specify): \_\_\_\_\_

2. The following dollar amount: \$

**Note: If this amount changes, this item will be revised.**

3. The following formula is used to determine the needs allowance:

Note: If the amount protected for PACE enrollees in item 1 is **equal to, or greater than** the maximum amount of income a PACE enrollee may have and be eligible under PACE, **enter N/A in items 2 and 3.**

(B) Spouse only (check one):

1. The following standard under 42 CFR 435.121:

2. The Medically needy income standard

3. The following dollar amount: \$

**Note: If this amount changes, this item will be revised.**

4. \_\_\_\_ The following percentage of the following standard that is not greater than the standards above: \_\_\_\_ % of \_\_\_\_ standard.

5. The amount is determined using the following formula:

6. Not applicable (N/A)

(C) Family (check one):

1. AFDC need standard



STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Tennessee

PACE

2.        Medically needy income standard

The amount specified below cannot exceed the higher of the need standard for a family of the same size used to determine eligibility under the State's approved AFDC plan or the medically needy income standard established under 435.811 for a family of the same size.

3.        The following dollar amount: \$           

Note: If this amount changes, this item will be revised.

4.        The following percentage of the following standard that is not greater than the standards above:        % of        standard.

5.        The amount is determined using the following formula:

6.        Other

7.        Not applicable (N/A)

(b) Medical and remedial care expenses specified in 42 CFR 435.735.

**Spousal Post Eligibility**

3.   X   State uses the post-eligibility rules of Section 1924 of the Act (spousal impoverishment protection) to determine the individual's contribution toward the cost of PACE services if it determines the individual's eligibility under section 1924 of the Act. There shall be deducted from the individual's monthly income a personal needs allowance (as specified below), and a community spouse's allowance, a family allowance, and an amount for incurred expenses for medical or remedial care, as specified in the State Medicaid plan.

(a) Allowances for the needs of the:

1. Individual (check one)

(A)   X   The following standard included under the State plan (check one):

1.        SSI

2.        Medically Needy

3.        The special income level for the institutionalized

4.        Percent of the Federal Poverty Level:        %

5.   X   Other (specify): 200% of the SSI-FBR

(B)        The following dollar amount: \$           

Note: If this amount changes, this item will be revised.

(C)        The following formula is used to determine the needs allowance:

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State: Tennessee

PACE

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If this amount is different than the amount used for the individual's maintenance allowance under 42 CFR 435.726 or 42 CFR 435.735, explain why you believe that this amount is reasonable to meet the individual's maintenance needs in the community:

II. Rates and Payments

A. The State assures CMS that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service.

1.      Rates are set at a percent of fee-for-service costs
2.      Experience-based (contractors/State's cost experience or encounter date)(please describe)
3.      Adjusted Community Rate (please describe)
4.  X  Other (please describe)

**Description of Negotiated Rate Setting Methodology**

The initial per-enrollee-per-month capitation rate to be paid to the PACE Provider by TennCare, for the provision of all covered services and administrative and all other costs, was determined by the following:

1. Calculating 95% of the weighted average of nursing facility costs in the geographic service area for the State of Tennessee fiscal year; and
2. Calculating 95% of the statewide average of costs, excluding nursing facility costs, for Medicare/Medicaid dual eligibles for the State of Tennessee fiscal year, inclusive of the following:
  - The capitation rate paid by TennCare to Managed Care Organizations for Medicare/Medicaid dual eligible enrollees,

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Tennessee

PACE

- 
- The capitation rate paid by TennCare to Behavioral Health Organizations for enrollees, except those classified as seriously and persistently mentally ill (SPMI) or seriously emotionally disturbed (SED), and
  - Medicare cost sharing (deductibles and coinsurance) paid by TennCare to providers for Medicare/Medicaid dual eligibles;
3. Adding the calculated amount from 1. above to the calculated amount from 2. above and dividing the total by twelve (12) to establish a monthly per-enrollee-per month capitation rate.

Prior to the end of each State of Tennessee fiscal year, the capitation rate will be reviewed; and subject to TennCare, the capitation rate will be increased by three (3) percent effective on the first day of the subsequent fiscal year, provided that the revised capitation rate does not exceed 95% of the cost of care for a comparable nursing facility population in the geographic service area.

- B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner. Please list the name, organizational affiliation of any actuary used, and attestation/description for the initial capitation rates.

Rates were determined by the Department of Finance and Administration , Division of Long Term Care.

- C. The State will submit all capitated rates to the CMS Regional Office for prior approval.

III. Enrollment and Disenrollment

The State assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the State and the State Administering Agency. The State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month.

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

**State:** Tennessee

PACE

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ATTACHMENT

ELIGIBILITY - SECTION 1

COVERAGE GROUPS FOR THE PACE WAIVER:

<ul style="list-style-type: none"><li>• Special Income Cap</li></ul>	435.236 -- Individuals in an institution who are eligible under a special income cap. This income cap is 300% of the SSI-FBR.
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